Notional Worth, Real Money

They've made millions, even billions for their shareholders and themselves. And here's how (and where) India's tech-billionaires are investing their money.

By Venkatesha Babu

MONEY POWER: Forget net worth, even the dividend incomes of these CEOs would match the corpus of a small mutual fund

India's tech-billionaires are more than willing to speak about their companies but ask them about their investments and the responses range from an outright refusal to talk or meet (as was the case with Wipro's Chairman Azim Premji, Mphasis' Chairman Jerry Rao, and Satyam's Chairman Ramalinga Raju) to statements about investing philosophy (Shiv Nadar and Nandan Nilekani). Yet, there is no denying the fact that these men, all rich-from unbelievably-so to fairly-well-off on the scale as the numbers on this page will show-because of their holdings in their companies, some of India's best-known it firms, have money to spare. There's the income they derive from dividend, and some of them are not averse to selling stock and using the proceeds to fund charities or simply diversify their portfolio or both. For instance, when EDs acquired Mphasis earlier this year Rao made Rs 38 crore by selling 1.875 million shares of the 6.4 million he owned then. And Nilekani earned around Rs 70 crore and Rs 320 crore by selling stock during Infosys' first and second sponsored ads issues (in 2003 and 2005) respectively. Selling stock to diversify may not be a bad idea: Microsoft Chairman Bill Gates does it and his money, managed by his personal investment manager Michael Larson, has only grown (between 1999 and 2004, for instance, Gates diluted his stake in Microsoft by almost 8 per cent, gave away almost $4 billion a year to charity, yet saw his net worth and that of the Bill & Melinda Gates Foundation grow to $73 billion or Rs 328,500 crore; if he had not sold any stock, his net worth would have fallen from $76 billion to $50 billion). Not all of India's tech-billionaires would agree. Wipro's Premji, for instance, is as conservative with his investments as he is with his spending (only recently did he upgrade his Ford Escort for a Toyota Corolla) and continues to hold a 82 per cent stake in Wipro. Still, there are lessons to be learnt from the investing philosophies of the men who have created more shareholder wealth than anyone would have imagined.

LEARNINGS FOR INVESTORS

» Understand the companies you are investing in
» Stay invested for the long-term
» Get a specialist to handle your money

WHERE DOES INDIA'S RICHEST MAN INVEST?
In equity, but he believes in passive play.

All Bangalore, and most people-in-the-know in other large cities in the country are aware that Azim Premji's personal finances are managed by a former DSP Merrill Lynch pro called Mrunmay Das who, a little Googling reveals, is a former Ranji cricketer (Orissa). The Chairman of Wipro does not like to speak about his personal investments. Nor, understandably, does Das. However, there's enough data available in the public domain-companies have to declare the names of all shareholders who hold more than a one per cent stake-and enough buzz in Bangalore to derive a broad understanding of the investing philosophy of one of India's richest men and garner some details of what Das is up to.

Premji appears to have made up his mind to hire a personal investment manager-Das is designated Chief Investment Officer, Azim Premji Investments (P) Ltd- between a year and 18 months ago. Until then, and till the time Das came on board on September last, his money was managed by portfolio managers and wealth managers attached to large financial services firms. A multinational head-hunting firm was assigned the task-the buzz is that Stanton Chase, which does a lot of hiring for Wipro was the firm-and it went about the task scientifically, scouring lists of equity analysts and fund managers and looking at their track record. Premji, the story goes, was unhappy with the performance of some, the investing philosophy of still others, and the salary-expectations of still others. Till Das, an alumnus of the Goa Institute of Management (before DSP he had worked with bnp Paribas) came on the scene.

That Premji takes his investments seriously (which is definitely the best way to handle them) is evident. Das will soon be working out of an office being readied for him in Premji's house in Sarjapur (the Wipro corporate office, the Azim Premji Foundation, and the Chairman's house are all located in close proximity to each other). Das, a look at the holdings of Premji in excess of one per cent in other companies reveals, is already beginning to churn the portfolio. He seems bullish on old economy sectors-Jindal Drilling and Industries and Gujarat NRE Coke are in-and does not seem averse to a conservative pharma and crop sciences play (Premji's investments in firms such as Monsanto and Novartis have increased). The buzz in Bangalore is that Das is looking to build a small team of analysts that can help him track and understand sectors such as manufacturing.

So, what is Premji's investment philosophy? The man is said to prefer investments that are long-term and help him diversify his portfolio. He is also said to be very keen that these investments remain passive (which is to mean that he doesn't want any part of running these companies). And although the focus is on equities now, Premji, the buzz in Bangalore goes, will enter such areas as derivatives, foreign equity, real estate, the debt and money markets, and private equity as and when it is opportune to and regulations allow him to do so.

ONCE RISKY, TWICE NEVER

HCL Tech's Shiv Nadar likes taking risks in business, not investments.

LEARNINGS FOR INVESTORS

» Don't expose your investment to multiple risks
» Set clear investment objectives and exposure limits
» Do not chase unrealistic returns on investment

I am an entrepreneur, not an investor," declares Shiv Nadar, 60, trying to set the tone of his interview. It's easy to agree with the first part of his claim. In just 30 years, this one-time systems analyst has built a tech empire that spans hardware to it services to BPO, and that at last count had $2.7 billion (Rs 12,150 crore) in revenues, more than 30,000 employees, and Rs 16,625 crore in combined market value (June 7). If it's hard to agree with the other part of his statement, it's because Nadar, Chairman & CEO of HCL Technologies, is worth upwards of Rs 11,000 crore (Forbes estimates his wealth at $4 billion, or Rs 18,000 crore) and over the last three years alone has earned Rs 924 crore in dividend income. His holding company HCL Corporation owns about 70 per cent in HCL Tech and 45 per cent in HCL Infosystems, the hardware company. So that's a lot of investible surplus, even if you drive around in a top-end Mercedes (a Rolls Royce has been ordered, too) and have houses in Delhi's upscale New Friends colony and California's swish Portola Valley.

But more than the quantum of Nadar's personal investments, it is his stark investment philosophy that sets him apart from other tech billionaires like Wipro's Azim Premji. For instance, Nadar, whose personal money is managed by a team of professionals at HCL Corporation, doesn't invest in equity, real estate, or even gold. There are just two asset categories that hog his wealth: Debt instruments and, to a smaller extent, private equity. Why is a man who built his fortune on smart risk-taking such a conservative investor? "The principle we follow is that this is money that has seen business risks, earned out of those risks and paid tax, and if you are going to put it back into stock risk that you don't even control, then it's not the right asset class," explains Nadar, whose investment idol is Warren Buffet. Nadar doesn't take the credit for this interesting investment approach. He says he obtained this perspective from some of the best brains on Wall Street and only that "it appealed to me". His investments returned a little over 6 per cent last year, but he isn't complaining.

That shouldn't be surprising at all, given his conservative upbringing. Nadar was born into a family of eight, and his father, Sri Sivasubramaniya Nadar, was a district judge and, hence, a man of limited means. "The kind of freedom we had with money was limited," says Nadar. That's something he's taught his only child, 24-year-old Roshni, who was never given any monthly allowance, but allowed to buy whatever she wanted. "Pocket money can lead to wrong (habits). Luckily for us, she grew up with limited wants," he says.

The 'investment' closest to Nadar's heart, though, has nothing to do with money markets. It is education. About five years ago he set up the SSN College of Engineering father. The institute, built on a 250-acre campus on Chennai's Old Mahabali Rs 200 crore, but another Rs 300 crore is to be spent on turning it into a un apart, Nadar plans to build a similar institute in either Uttar Pradesh or Hary of Rs 500 crore. "One day, all of us will go, so you'd better leave some good he says. It's an investment approach you can't argue with.

-R. Sridharan

PASSIVE PLAYER
Infosys' Nandan Nilekani prefers to let the specialists do their job and does l

In the early 1990s, soon after Infosys made an initial public offering, Nandan Mohan Nilekani, one of the company's founders and now its president, CEO, and Managing Director, is reported to have made a

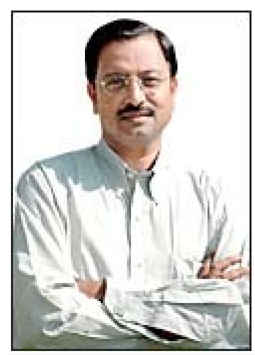
LEARNINGS FOR INVESTORS

» Wealth and smarts don't translate into investing success
» A passive play is best for most investors
» Leave investing to the specialists

substantial investment in the IPO of Morgan Stanley's first Indian mutual fund, a growth one. The fund, which now boasts a NAV (net asset value) of Rs 36.14, spent much of the 1990s quoting under par. That, and Infosys' own experience with stocks (the company had to write off its investment play in the mid-1990s and its directors admitted that this was beyond their ken), may have played a role in shaping Nilekani's current approach to investment about which he is willing to speak only in the most general terms. "I am a passive investor and have handed over my liquid assets to a money manager who makes the investment decisions," says Nilekani who has laid down just one caveat: to avoid investing in any other technology company. He adds that he spends just around four hours every quarter reviewing his portfolio. The buzz in investing circles is that Enam Financial's wealth management wing manages Nilekani's money and that it recently made an investment, on his behalf, in Asian Paints. Apart from his income from dividends, Nilekani has also sold some stock. Nilekani and his wife Rohini, who holds a 1.69 per cent stake in Infosys independently, are also big contributors to charity (the couple recently founded Argyam, a charity with a corpus of Rs 100 crore). Nilekani claims he met with the Oracle of Omaha, Warren Buffet, during this year's Microsoft Summit in Seattle, checked his own investing philosophy with the man, and came away satisfied.

BACK TO BASICS
Satyam's Raju likes to keep it really simple.

Byrraju Ramalinga Raju ducked this magazine's request for an interview to discuss his investments. However, the Chairman of Satyam Computer Services is a wealthy man by virtue of his holdings in the company (market capitalisation as on June 8: Rs 20,050 crore): 3 per cent of the equity singly, 5 per cent with his wife, and 14 per cent for the extended family. Given that the company declared a dividend of 300 per cent on a share of face value Rs 2 for the year 2005-06, that translates into a bit. However, Raju, say people who know him well, does not believe in conventional investment vehicles such as equity and debt. He has been pumping money into Maytas, an infrastructure firm promoted by the three Raju brothers (Ramalinga Raju is 50; his brothers B. Rama Raju and B. Suryanarayana Raju are 47 and 45), which actually predates Satyam Computer (founded in 1987). Earlier known as Satyam Construction, its name was changed in the late 1990s (Maytas is merely Satyam spelled backwards) when its younger software associate was setting the bourses on fire to avoid any sort of confusion. Investing in an infrastructure firm is not a bad idea at a time when the sector is booming. Raju is also reported to be a keen investor in land, in and around Hyderabad. The continuing demand for land, for everything from highways to special economic zones to software parks, makes this a safe investment play, the only catch being that this strategy calls for a substantial investible surplus. Then, that's what Raju has.



LEARNINGS FOR INVESTORS

» Pick sectors that you understand
» Do not invest in something just because others are
» Invest in accordance with the size of your corpus

-E. Kumar Sharma

BOOKS TO BOUQUET
For Mphasis' Jerry Rao everything is an opportunity.

Mphasis chairman and CEO, Jerry Rao, a Citibanker turned tech entrepreneur, has been widening his investment horizons. This has meant investments in a hotel company, a vintner, even the acquisition of a magazine. In October 2005, Rao joined the board of Royal Orchid Hotels even as he picked up an undisclosed stake in the company. Royal Orchid runs a chain of luxury hospitality properties across the country and is backed by Sequoia Capital India. While Jerry Rao refused to speak with BT for this article, Chander K. Baljee, the Chairman of Royal Orchid, had then told this magazine that "Jerry's expertise in finance and it would help." Rao, a connoisseur of wine, is also believed to be close to picking up a significant stake in Grover Vineyards. The man is already cultivating grape on some of his substantial land holdings and has entered into a long-term contract farming arrangement with Grover. The vintner is reported to be looking to offload nearly a third of its equity. Rao, who has published Gemini II, a volume of poetry, also recently acquired the literary journal Indian Review of Books. Given his experience in banking, Rao is certain to have a well diversified portfolio (of which nothing is known), but it is his private equity play that could maximise his returns.

-Additional reporting by Mahesh Nayak

LEARNINGS FOR INVESTORS

» Diversify your portfolio to reduce risks

» Leverage your interests into related investments

» Pick sectors that gain from economic growth